



**Commonwealth of Kentucky
Personnel Cabinet**

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**HEALTH INSURANCE ADVISORY GROUPS DISCUSS FUTURE OF STATE EMPLOYEE HEALTH
INSURANCE IN JOINT MEETING**

*Blue Ribbon Panel on Public Employee Health Benefits, Employee Advisory Committee and
the Kentucky Group Health Insurance Board unite for presentation*

Frankfort, KY – Representatives from the Blue Ribbon Panel on Public Employee Health Benefits, Employee Advisory Committee and the Kentucky Group Health Insurance Board, along with members of the Personnel Cabinet and Cabinet for Health and Family Services' health insurance team, met today to discuss the future of public employee health insurance.

This marks the first time that such a health insurance assembly has met in a combined setting to share their understanding of the state's current health care cost crisis and offer thoughts on how Kentucky can begin to get costs under control. Representatives from PricewaterhouseCoopers LLP, the Personnel Cabinet's actuarial and benefits consultant, were on hand to answer questions and discuss the advantages of choosing a "self-insurance" approach. "Consistency and stability – that's what self-insurance would mean for the Commonwealth," said PricewaterhouseCoopers Representative Kathy Stein

The Blue Ribbon Panel's final written report – outlining their recommendation for health care changes to take effect on July 1, 2006 – will be ready for release August 1, 2005. "It is important to discuss steps now that could be taken to begin to bring costs under control and improve health care delivery to public employees of Kentucky," said Commissioner of Employee Insurance Christine Wilcoxson.

Requests for Proposals (RFPs) are being prepared and are scheduled to be released to bidders on Monday, May 16, 2005. Copies of the RFPs will be made available to the respective health insurance advisory groups once they are released to the market on that date. Providing the RFP to these groups prior to this release would compromise the competitive process.

"We'll be in a better position to implement the changes the Blue Ribbon Panel ultimately recommends if we start laying the groundwork now," Undersecretary Mark D. Birdwhistell said. "The Personnel Cabinet and Cabinet for Health and Family Services' focus on the progress that can be made in the short-term should make it easier for the Blue Ribbon Panel to focus on identifying viable, long-term solutions in a self-insurance model to provide the Commonwealth and its employees with consistency and stability."

MEDIA BACKGROUNDER

SELF-INSURING THE PUBLIC HEALTH INSURANCE PROGRAM – WHAT IS SELF-INSURANCE? WHAT COULD IT MEAN FOR KENTUCKY?

Self-insurance is simply a way of financing the Public Health Insurance Program.

By self-insuring, also known as “self-funding”, the Commonwealth would put itself in a better position to secure the most efficient cost for the health benefits it provides public employees. Self-insurance would have little, if any, impact on the benefits program participants now enjoy or the cost they pay.

Right now, the present program is fully-insured, which means the state pays premiums to private insurance companies to assume the risks involved in providing health benefits to participating employees and their dependents. With self funding, the Commonwealth itself would set aside monies to pay out benefits directly. Insurance companies would still have a role to play, but only as administrators and record-keepers for the plan.

In return for paying out benefits on its own, the state would greatly improve its ability to adopt health industry best-practices, maximize the plan’s purchasing power, streamline plan administration, negotiate better network discounts and offer prescription drugs at the lowest costs available.

While a comprehensive solution to the health care cost crisis Kentucky now faces can only be achieved over the long-term, solid progress can – and must – be made as soon as possible. Self-insuring would allow the Commonwealth to make significant progress now, while giving time for the Blue Ribbon Panel, Employee Advisory Committee and the Kentucky Group Health Insurance Board to explore additional ways to control costs and improve quality moving forward.

While the cost of all health plans, whether self-insured or not, have increased dramatically in recent years, the cost of self-insured health plans has increased at a slower rate than fully-insured plans. In addition, self-funding has become the norm for large employers, with 80% of all workers at employers of 5,000 or more now covered by self-funded plans. In fact, among government employers, more than 60% of all health plans offered in all 50 states are self-insured.

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